Section 1: 10-K (10-K)

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ANNUAL REPORT ON FORM 10-K

HORMEL FOODS CORPORATION

OCTOBER 25, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 25, 2009

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from **to**

Commission File Number: 1-2402

HORMEL FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**41-0319970** (I.R.S. Employer Identification No.)
1 Hormel Place **Austin, Minnesota** (Address of principal executive offices)	**55912-3680** (Zip Code)

Registrant's telephone number, including area code **(507) 437-5611**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.0586 par value	New York Stock Exchange

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Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 26, 2009 (the last business day of the registrant's most recently completed second fiscal quarter) was $2,117,802,675 based on the closing price of $30.63 per share on that date.

As of November 27, 2009, the number of shares outstanding of each of the registrant's classes of common stock was as follows:

Common Stock, $.0586 Par Value – 133,628,663 shares
Common Stock Non-Voting, $.01 Par Value – 0 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Stockholders' Report for the fiscal year ended October 25, 2009, are incorporated by reference into Part I, Items 1 and 1A and Part II, Items 5-8 and 9A, and included as Exhibit 13.1 filed herewith.

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held January 26, 2010, are incorporated by reference into Part III, Items 10-14.

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PART I

Item 1. BUSINESS

(a) General Development of Business

Hormel Foods Corporation, a Delaware corporation (the Company), was founded by George A. Hormel in 1891 in Austin, Minnesota, as George A. Hormel & Company. The Company started as a processor of meat and food products and continues in this line of business. The Company name was changed to Hormel Foods Corporation on January 31, 1995. The Company is primarily engaged in the production of a variety of meat and food products and the marketing of those products throughout the United States and internationally. Although pork and turkey remain the major raw materials for its products, the Company has emphasized for several years the manufacturing and distribution of branded, value-added consumer items rather than the commodity fresh meat business. The Company has continually expanded its product portfolio through organic growth, new product development, and acquisitions.

Internationally, the Company markets its products through Hormel Foods International Corporation (HFIC), a wholly owned subsidiary. HFIC has a presence in the international marketplace through joint ventures and placement of personnel in strategic foreign locations such as Australia, Canada, China, Japan, and the Philippines. HFIC also has a global presence with minority positions in food companies in Mexico (Hormel Alimentos, 50% holding) and the Philippines (Purefoods-Hormel, 40% holding), and in a hog production and processing operation in Vietnam (San Miguel Purefoods (Vietnam) Co. Ltd., 49% holding).

On October 26, 2009, subsequent to the end of the fiscal year, the Company also completed the formation of MegaMex Foods, LLC, a joint venture which will market Mexican foods in the United States. The Company will have a 50 percent ownership interest in this joint venture, and the investment will be included in the Company's Grocery Products segment.

The Company has not been involved in any bankruptcy, receivership, or similar proceedings during its history. Substantially all of the assets of the Company have been acquired in the ordinary course of business.

The Company had no significant change in the type of products produced or services rendered, or in the markets or methods of distribution since the beginning of the 2009 fiscal year.

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(b) Segments

The Company's business is reported in five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store (JOTS), Specialty Foods, and All Other. Net sales to unaffiliated customers and operating profit, and the presentation of certain other financial information by segment, are reported in Note L of the Notes to Consolidated Financial Statements and in the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Annual Stockholder's Report for the fiscal year ended October 25, 2009, incorporated herein by reference.

(c) Description of Business

Products and Distribution

The Company's products primarily consist of meat and other food products. The meat products are sold fresh, frozen, cured, smoked, cooked, and canned. The percentages of total revenues contributed by classes of similar products for the last three fiscal years of the Company are as follows:

	Fiscal Year Ended		
	October 25, 2009	October 26, 2008	October 28, 2007
Perishable meat	53.9%	53.5%	54.2%
Poultry	19.3	19.2	19.2
Shelf-stable	17.3	17.1	16.8
Other	9.5	10.2	9.8
	100.0%	100.0%	100.0%

Reporting of revenues from external customers is based on similarity of products, as the same or similar products are sold across multiple distribution channels such as retail, foodservice, or international. Revenues reported are based on financial information used to produce the Company's general-purpose financial statements.

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Perishable meat includes fresh meats, sausages, hams, wieners, and bacon (excluding JOTS products). The Poultry category is composed primarily of JOTS products. Shelf-stable includes canned luncheon meats, shelf-stable microwaveable entrees, stews, chilies, hash, meat spreads, flour and corn tortillas, salsas, tortilla chips, and other items that do not require refrigeration. The Other category primarily consists of nutritional food products and supplements, sugar and sugar substitutes, creamers, salt and pepper products, sauces and salad dressings, dessert and drink mixes, and industrial gelatin products.

Construction of the new production facility in Dubuque, Iowa continues, which will provide additional capacity for canned and microwave tray items beginning in January 2010. No other new products in fiscal 2009 required a material investment of the Company's assets.

Domestically, the Company sells its products in all 50 states. The Company's products are sold through its sales personnel, operating in assigned territories coordinated from sales offices located in most of the larger U.S. cities, as well as independent brokers and distributors. Dedicated sales teams also serve major retail customers and coordinate sales of both Grocery Products and Refrigerated Foods products. As of October 25, 2009, the Company had approximately 662 sales personnel engaged in selling its products. Distribution of products to customers is primarily by common carrier.

Through HFIC, the Company markets its products in various locations throughout the world. Some of the larger markets include Australia, Canada, China, England, Japan, Mexico, and Micronesia. The distribution of export sales to customers is by common carrier, while the China operations own and operate their own delivery system. The Company, through HFIC, has licensed companies to manufacture various Company products internationally on a royalty basis, with the primary licensees being Tulip International of Denmark and CJ CheilJedang Corporation of South Korea.

Raw Materials

The Company has, for the past several years, been concentrating on processed branded products for consumers with year-round demand to minimize the seasonal variation experienced with commodity-type products. Pork continues to be the primary raw material for Company products. Although the live pork industry has evolved to large, vertically integrated, year-round confinement operations, and supply contracts have become prevalent in the industry, there is still a seasonal variation in the supply of fresh pork materials. The Company's expanding line of processed items has reduced, but not eliminated, the sensitivity of Company results to raw material supply and price fluctuations.

The majority of the hogs harvested by the Company are purchased under supply contracts from producers located principally in Colorado, Idaho, Illinois, Iowa, Kansas, Minnesota, Nebraska, Oklahoma, South Dakota, Texas, Utah, Wisconsin, and Canada. The cost of hogs and the utilization of the Company's facilities are affected by both the level and the methods of pork production in the United States. The movement toward year-round confinement operations which operate under supply agreements with processors has resulted in fewer hogs being available on the spot cash market. The Company, along with others in the industry, uses supply contracts to manage the effects of this trend and to ensure a stable supply of raw materials. The Company has converted the majority of its contracts to market-based formulas to better match input costs with customer pricing, and all contract costs are fully reflected in the Company's reported financial statements. In fiscal

2009, the Company purchased 93 percent of its hogs under supply contracts. The Company also procures a portion of its hogs through farms that it either owns or operates in Arizona, California, Colorado, Kansas, and Wyoming.

In fiscal 2009, JOTS raised turkeys representing approximately 69 percent of the volume needed to meet its raw material requirements for whole bird and processed turkey products. Turkeys not sourced within the Company are contracted with independent turkey growers. JOTS' turkey-raising farms are located throughout Minnesota and Wisconsin.

Production costs in raising hogs and turkeys are subject primarily to fluctuations in feed grain prices and, to a lesser extent, fuel costs. To manage this risk, the Company periodically hedges a portion of its anticipated purchases of grain using futures contracts.

Manufacturing

The Company has four plants that harvest hogs for processing. Quality Pork Processors, Inc. of Dallas, Texas, operates the harvesting facility at Austin, Minnesota under a custom harvesting arrangement. The Company has six turkey harvest and processing operations, and 40 facilities that produce and distribute other manufactured items. Albert Lea Select Foods, Inc. operates the processing facility at Albert Lea, Minnesota under a custom manufacturing agreement. Company products are also custom manufactured by several other companies. The following are the Company's larger custom manufacturers: Steuben Foods, Jamaica, New York; Lakeside Packing Company, Manitowoc, Wisconsin; Schroeder Milk, Maplewood, Minnesota; Reichel Foods, Rochester, Minnesota; Power Packaging, St. Charles, Illinois; and Tony Downs, St. James, Minnesota. Power

Logistics, Inc., based in St. Charles, Illinois, operates distribution centers for the Company in Dayton, Ohio, and Osceola, Iowa.

Patents and Trademarks

There are numerous patents and trademarks that are important to the Company's business. The Company holds 8 foreign and 46 U.S.-issued patents. Some of the trademarks are registered and some are not. Some of the more significant owned or licensed trademarks used by the Company or its affiliates are:

HORMEL, ALWAYS TENDER, AMERICAN CLASSICS, AUSTIN BLUES, BANGKOK PADANG, BLACK LABEL, BREAD READY, BÚFALO, CAFÉ H, CALIFORNIA NATURAL, CHI-CHI'S, COMPLEATS, CURE 81, CUREMASTER, DAN'S PRIZE, DI LUSSO, DINTY MOORE, DODGER DOG, DOÑA MARIA, DUBUQUE, EMBASA, FARMER JOHN, FAST 'N EASY, GRANDE GOURMET, HERB-OX, HERDEZ, HIBACHI GRILL, HOMELAND, HOUSE OF TSANG, JENNIE-O TURKEY STORE, KID'S KITCHEN, LA VICTORIA, LAYOUT, LITTLE SIZZLERS, LLOYD'S, MAGNIFOODS, MANNY'S, MARRAKESH EXPRESS, MARY KITCHEN, NATURAL CHOICE, NATURASELECT, OLD SMOKEHOUSE, PELOPONNESE, PILLOW PACK, POCO PAC, PREP CHEF, PREMORO, RANGE BRAND, RICO OLE', ROSA GRANDE, SAAG'S, SANDWICH MAKER, SAUCY BLUES, SPAM, SPAMTASTIC, STAGG, TEZZATA, THICK & EASY, VALLEY FRESH, and WRANGLERS.

The Company's patents expire after a term that is typically 20 years from the date of filing, with earlier expiration possible based on the Company's decision to pay required maintenance fees. As long as the Company intends to continue using its trademarks, they are renewed indefinitely.

Customers and Backlog Orders

During fiscal year 2009, sales to Wal-Mart Stores, Inc. (Wal-Mart) represented approximately 13 percent of the Company's revenues (measured as gross sales less returns and allowances), an increase of one percent from fiscal year 2008. Wal-Mart is a customer for all five segments of the Company. The five largest customers in each segment make up approximately the following percentage of segment sales: 48 percent of Grocery Products, 38 percent of Refrigerated Foods, 40 percent of JOTS, 40 percent of Specialty Foods, and 31 percent of All Other. The loss of one or more of the top customers in any of these segments could have a material adverse effect on the results of such segment. Backlog orders are not significant due to the perishable nature of a large portion of the products. Orders are accepted and shipped on a current basis.

Competition

The production and sale of meat and food products in the United States and internationally are highly competitive. The Company competes with manufacturers of pork and turkey products, as well as national and regional producers of other meat and protein sources, such as beef, chicken, and fish. The Company believes that its largest domestic competitors for its Refrigerated Foods segment in 2009 were Tyson Foods, Smithfield Foods, and Sara Lee Corporation; for its Grocery Products segment, ConAgra Foods, General Mills, and Campbell Soup Co.; and for JOTS, Cargill, Inc. and Butterball, LLC.

All segments compete on the basis of price, product quality, brand identification, and customer service. Through aggressive marketing and strong quality assurance programs, the Company's strategy is to provide higher quality products that possess strong brand recognition, which would then support higher value perceptions from customers.

The Company competes using this same strategy in international markets around the world.

Research and Development

Research and development continues to be a vital part of the Company's strategy to extend existing brands and expand into new branded items. The expenditures for research and development for fiscal 2009, 2008, and 2007, were approximately $25,398,000, $22,689,000, and $21,475,000, respectively. There are 113 employees engaged in full time research and development, 54 in the area of improving existing products and 59 in developing new products.

Employees

As of October 25, 2009, the Company had approximately 18,600 active employees.

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(d) Geographic Areas

Financial information about geographic areas, including total revenues attributed to the U.S. and all foreign countries in total for the last three fiscal years of the Company, is reported in Note L of the Notes to Consolidated Financial Statements of the Annual Stockholder's Report for the fiscal year ended October 25, 2009, incorporated herein by reference.

(e) Available Information

The Company makes available, free of charge on its Web site at www.hormelfoods.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are accessible under the "Investors" caption of the Company's Web site and are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

The documents noted above are also available in print, free of charge, to any stockholder who requests them.

(f) Executive Officers of the Registrant

NAME	AGE	CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE	DATES	YEAR FIRST ELECTED OFFICER
Jeffrey M. Ettinger	51	Chairman of the Board, President and Chief Executive Officer	11/21/06 to Present	1998
		President and Chief Executive Officer	01/01/06 to 11/20/06	
		President and Chief Operating Officer	06/28/04 to 12/31/05	
Jody H. Feragen	53	Senior Vice President and Chief Financial Officer	01/01/07 to Present	2000
		Vice President (Finance) and Treasurer	10/31/05 to 12/31/06	
		Vice President and Treasurer	10/29/01 to 10/30/05	
Ronald W. Fielding	56	Executive Vice President (Grocery Products/ Corporate Development)	04/07/08 to Present	1997
		Executive Vice President (Grocery Products/ Mergers and Acquisitions)	01/01/07 to 04/06/08	
		Group Vice President (Grocery Products)	10/31/05 to 12/31/06	
		Group Vice President (Consumer Products Sales)	07/26/04 to 10/30/05	
Steven G. Binder	52	Group Vice President (Refrigerated Foods)	07/30/07 to Present	1998
		Group Vice President (Foodservice)	10/30/00 to 07/29/07	
Richard A. Bross	58	Group Vice President/President Hormel Foods International Corporation	10/29/01 to Present	1995
Robert A. Tegt	58	Group Vice President/President Jennie-O Turkey Store	12/01/08 to Present	2005
		Group Vice President (Specialty Foods Group)	10/29/07 to 11/30/08	
		Vice President (Specialty Foods Group)	01/01/06 to 10/28/07	
		Senior Vice President (Foodservice Division) — Jennie-O Turkey Store	04/30/01 to 12/31/05	
Michael D. Tolbert	53	Group Vice President (Specialty Foods Group)	12/01/08 to Present	2004
		Group Vice President/President Jennie-O Turkey Store	10/31/05 to 11/30/08	
		Vice President/President Jennie-O Turkey Store	05/31/04 to 10/30/05	
Larry L. Vorpahl	46	Group Vice President (Consumer Products Sales)	10/31/05 to Present	1999
		Vice President and General Manager (Grocery Products)	12/01/03 to 10/30/05	

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(f) Executive Officers of the Registrant-Continued

NAME	AGE	CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE	DATES	YEAR FIRST ELECTED OFFICER
James W. Cavanaugh	60	Senior Vice President (External Affairs) and General Counsel	10/29/07 to Present	2001
		Senior Vice President (External Affairs), General Counsel, and Corporate Secretary	01/01/05 to 10/28/07	
		Corporate Secretary and Senior Attorney	01/29/01 to 12/31/04	
Thomas R. Day	51	Senior Vice President (Foodservice)	07/30/07 to Present	2000
		Vice President (Foodservice Sales)	10/30/00 to 07/29/07	
William F. Snyder	52	Senior Vice President (Supply Chain)	10/31/05 to Present	1999
		Vice President (Refrigerated Foods Operations)	11/01/99 to 10/30/05	
D. Scott Aakre	45	Vice President (Marketing-Grocery Products)	10/31/05 to Present	2005
		Director of Marketing (Grocery Products)	09/15/03 to 10/30/05	
Deanna T. Brady	44	Vice President (Foodservice Sales)	07/30/07 to Present	2007
		Regional Sales Manager-West (Foodservice Sales)	06/02/03 to 07/29/07	
Julie H. Craven	54	Vice President (Corporate Communications)	08/01/05 to Present	2005
		Director (Corporate Communications)	05/20/02 to 07/31/05	
Michael L. Devine	55	Vice President (Grocery Products Operations)	10/27/08 to Present	2008
		Director (Grocery Products Operations Strategy)	09/03/07 to 10/26/08	
		Plant Manager (Stockton)	07/29/96 to 09/02/07	
Bryan D. Farnsworth	52	Vice President (Quality Management)	08/01/05 to Present	2005
		Director (Quality Management)	12/02/96 to 07/31/05	
Roland G. Gentzler	55	Vice President (Finance) and Treasurer	01/01/07 to Present	2007
		Assistant Controller and Director of Finance (Refrigerated Foods)	05/01/00 to 12/31/06	
Dennis B. Goettsch	56	Vice President (Foodservice Marketing)	10/30/00 to Present	2000
Daniel A. Hartzog	58	Vice President (Consumer Products Sales)	07/26/04 to Present	2000
David P. Juhlke	50	Vice President (Human Resources)	10/31/05 to Present	2005
		Vice President (Human Resources/Administration) — Jennie-O Turkey Store	04/30/01 to 10/30/05	
Donald H. Kremin	49	Vice President (Consumer Product Sales)	10/29/07 to Present	2007
		Director Wal-Mart Business Team (Consumer Product Sales)	09/05/05 to 10/28/07	
		Director Customer Development-Eastern Chains (Consumer Product Sales)	07/26/04 to 09/04/05	
Phillip L. Minerich, Ph.D.	56	Vice President (Research and Development)	10/31/05 to Present	2005
		Director (Product & Process Development & Packaging)	07/14/03 to 10/30/05	
Kurt F. Mueller	53	Vice President (Consumer Products Sales)	07/26/04 to Present	1999
Douglas R. Reetz	55	Vice President (Consumer Products Sales)	07/26/04 to Present	1999

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(f) Executive Officers of the Registrant-Continued

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NAME	AGE	CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE	DATES	YEAR FIRST ELECTED OFFICER
James R. Schroeder	52	Vice President (Engineering) Manager of Project and Plant Engineering (Corporate Office)	04/27/09 to Present 01/11/99 to 04/26/09	2009
Bruce R. Schweitzer	58	Vice President (Refrigerated Foods Operations) Plant Manager (Austin)	10/31/05 to Present 07/19/04 to 10/30/05	2005
James N. Sheehan	54	Vice President and Controller	05/01/00 to Present	1999
James P. Snee	42	Vice President (Affiliated Business Units- Refrigerated Foods) Director (Purchasing) Regional Sales Manager-West and Corporate National Accounts Manager (Foodservice Sales)	10/27/08 to Present 02/13/06 to 10/26/08 11/01/99 to 02/12/06	2008
James M. Splinter	47	Vice President (Marketing-Consumer Products- Refrigerated Foods)	06/02/03 to Present	2003
Joe C. Swedberg	54	Vice President (Legislative Affairs) Vice President (Legislative Affairs and Marketing Services)	08/11/08 to Present 06/02/03 to 08/10/08	1999
Brian D. Johnson	49	Corporate Secretary & Senior Attorney Assistant Secretary & Senior Attorney Senior Attorney	10/29/07 to Present 01/31/05 to 10/28/07 08/14/00 to 01/30/05	2007

No family relationship exists among the executive officers.

Executive officers are elected annually by the Board of Directors at the first meeting following the Annual Meeting of Stockholders. Vacancies may be filled and additional officers elected at any regular or special meeting.

Item 1A. RISK FACTORS

Information on the Company’s risk factors included in the Management’s Discussion and Analysis of Financial Condition and Results of Operations on pages 31 through 34 of the Annual Stockholders’ Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

Location	Principal Segment (1)	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Harvest and Processing Plants				
Austin, Minnesota	Refrigerated Foods Grocery Products Specialty Foods All Other	1,352,000	Owned	
Barron, Wisconsin	JOTS	372,000	Owned	
Beijing, China	All Other	94,000	80.0% Owned	
Faribault, Minnesota	JOTS	170,000	Owned	
Fremont, Nebraska	Refrigerated Foods Grocery Products Specialty Foods All Other	670,000	Owned	
Melrose, Minnesota	JOTS	136,000	Owned	
Vernon, California	Refrigerated Foods	632,000	Owned	
	All Other	93,000	Leased	March 2014
Willmar, Minnesota	JOTS	337,000	Owned	

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Processing Plants				
Albert Lea, Minnesota	Refrigerated Foods	78,000	Owned	
Algona, Iowa	Refrigerated Foods	153,000	Owned	
Alma, Kansas	Refrigerated Foods	70,000	Owned	
Ames, Iowa	Refrigerated Foods	9,000	Leased	Monthly
Aurora, Illinois	Specialty Foods	141,000	Owned	
Beloit, Wisconsin	Grocery Products Specialty Foods	339,000	Owned	
Bremen, Georgia	Specialty Foods	156,000	Owned	
Browerville, Minnesota	Refrigerated Foods	95,000	Owned	
Chino, California	Refrigerated Foods	88,000	Leased	April 2015
Dubuque, Iowa	Grocery Products	342,000	Owned	
Duluth, Georgia	Specialty Foods	80,000	Owned	
Ft. Dodge, Iowa	Grocery Products	17,000	Owned	
Knoxville, Iowa	Refrigerated Foods	130,000	Owned	
Lathrop, California	Refrigerated Foods	85,000	Owned	
Long Prairie, Minnesota	Refrigerated Foods	82,000	Owned	
Laverton, Australia	All Other	22,000	Leased	March 2011
Mitchellville, Iowa	Specialty Foods	81,000	Owned	
Montevideo, Minnesota	JOTS	85,000	Owned	
Nevada, Iowa	Refrigerated Foods	139,000	Owned	
New Berlin, Wisconsin	Grocery Products	84,000	Leased	February 2012
Osceola, Iowa	Refrigerated Foods	365,000	Owned	
Pelican Rapids, Minnesota	JOTS	282,000	Owned	
Perrysburg, Ohio	Specialty Foods	183,000	Owned	
Quakertown, Pennsylvania	Specialty Foods	10,000	Owned	
Rochelle, Illinois	Refrigerated Foods Grocery Products Specialty Foods	404,000	Owned	
San Leandro, California	Refrigerated Foods	41,000	Leased	November 2021
Savannah, Georgia	Specialty Foods	300,000	Owned	
Shanghai, China	All Other	33,000 4,000	80.7% Owned Leased	 September 2011
Sparta, Wisconsin	Specialty Foods	385,000	Owned	

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Item 2. PROPERTIES - - Continued

Location	Principal Segment (1)	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Processing Plants (continued)				
St. Paul, Minnesota	Refrigerated Foods	58,000	Owned	
Stockton, California	Grocery Products Specialty Foods	139,000	Owned	
Tucker, Georgia	Grocery Products Refrigerated Foods Specialty Foods	282,000	Owned	
Turlock, California	Grocery Products Specialty Foods	153,000	Owned	
Visalia, California	Specialty Foods	107,000	Owned	
Wichita, Kansas	Refrigerated Foods	80,000	Owned	
Warehouse/Distribution Centers				
Austin, Minnesota	Refrigerated Foods Grocery Products	83,000	Owned	
Beijing, China	All Other	4,000	Leased	None
Bondurant, Iowa	Specialty Foods	99,000	Owned	
Dayton, Ohio	Refrigerated Foods Grocery Products Specialty Foods	140,000	Owned	
Eldridge, Iowa	Grocery Products Specialty Foods	424,000	Leased	July 2019
Fresno, California	Refrigerated Foods	25,000		
Nevada, Iowa	Refrigerated Foods	93,000	Owned	

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		2,000	Leased	December 2009
Osceola, Iowa	Refrigerated Foods	233,000	Owned	
Stockton, California	Grocery Products	232,000	Leased	July 2010
Tucker, Georgia	Grocery Products Refrigerated Foods Specialty Foods	96,000	Leased	September 2010
Vernon, California	Refrigerated Foods	118,000	Owned	
Willmar, Minnesota	JOTS	112,000	Owned	
Hog Confinement Buildings				
Albin, Wyoming	Refrigerated Foods	458,000	Owned	
Corcoran, California	Refrigerated Foods	816,000	Leased	December 2010
Las Animas, Colorado	Refrigerated Foods	653,000	Owned	
Pine Bluffs, Wyoming	Refrigerated Foods	64,000	Owned	
Snowflake, Arizona	Refrigerated Foods	1,506,000	Owned	
Hatcheries				
Barron, Wisconsin	JOTS	28,000	Owned	
Detroit Lakes, Minnesota	JOTS	31,000	Owned	
Henning, Minnesota	JOTS	22,000	Owned	
Feed Mills				
Albin, Wyoming	Refrigerated Foods	6,000	Owned	
Atwater, Minnesota	JOTS	19,000	Owned	
Barron, Wisconsin	JOTS	26,000	Owned	
Corcoran, California	Refrigerated Foods	5,000	Leased	December 2010
Dawson, Minnesota	JOTS	37,000	Owned	
Faribault, Minnesota	JOTS	25,000	Owned	
Henning, Minnesota	JOTS	5,000	Owned	
Northfield, Minnesota	JOTS	17,000	Owned	

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Item 2. PROPERTIES - - Continued

Location	Principal Segment (1)	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Feed Mills (continued)				
Perham, Minnesota	JOTS	26,000	Owned	
Snowflake, Arizona	Refrigerated Foods	28,000	Owned	
Swanville, Minnesota	JOTS	29,000	Owned	
Turkey Farms				
Minnesota and Wisconsin	JOTS	15,000**(2)**	Owned	
Research and Development				
Austin, Minnesota	All Segments	83,000	Owned	
Shanghai, China	All Other	5,000	80.7% Owned	
Willmar, Minnesota	JOTS	9,000	Owned	
Administrative Offices				
Austin, Minnesota	All Segments	231,000	Owned	
Beijing, China	All Other	4,000	Leased	May 2010
Gainesville, Georgia	Refrigerated Foods	5,000	Leased	June 2014
Savannah, Georgia	Specialty Foods	14,000	Owned	
Shanghai, China	All Other	11,000	Leased	July 2011
Spicer, Minnesota	JOTS	11,000	Leased	June 2011
Vernon, California	Refrigerated Foods	17,000	Leased	March 2014
Willmar, Minnesota	JOTS	21,000	Owned	

(1) Many of the Company's properties are not exclusive to any one segment, and a few of the properties are utilized in all five segments. For locations that support multiple segments, but with a substantial percentage of activity attributable to certain segments, only the principal segments have been listed.

(2) Acres

The Company's production facility in Dubuque, Iowa, is under construction and is scheduled to begin manufacturing in January 2010. The Company believes its operating facilities are well maintained and suitable for current production volumes, and expansion plans are in process to accommodate all volumes anticipated in the foreseeable future.

Item 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings related to the on-going operation of its business. The resolution of any currently known matters is not expected to have a material effect on the Company's financial condition, results of operations, or liquidity.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to stockholders during the fourth quarter of the 2009 fiscal year.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The high and low sales prices of the Company's common stock and the dividends per share declared for each quarter of fiscal 2009 and fiscal 2008, respectively, are shown below:

2009	High	Low	Dividend
First Quarter	$ 31.87	$ 24.84	$ 0.190
Second Quarter	33.43	29.26	0.190
Third Quarter	36.36	29.17	0.190
Fourth Quarter	39.02	34.64	0.190

2008	High	Low	Dividend
First Quarter	$ 41.82	$ 34.90	$ 0.185
Second Quarter	42.64	37.24	0.185
Third Quarter	41.98	33.99	0.185
Fourth Quarter	38.08	27.26	0.185

Additional information about dividends, principal market of trade, and number of stockholders on page 61 of the Annual Stockholders' Report for the fiscal year ended October 25, 2009, is incorporated herein by reference. The Company's common stock has been listed on the New York Stock Exchange since January 16, 1990.

Issuer purchases of equity securities in the fourth quarter of fiscal year 2009 are shown below:

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
July 27, 2009 — August 30, 2009	30,000	$ 37.41	30,000	1,758,572
August 31, 2009 — September 27, 2009	284,948	$ 36.96	284,912	1,473,660
September 28, 2009 — October 25, 2009	355,705	$ 35.48	355,705	1,117,955
Total	670,653	$ 36.19	670,617	

(1) The 36 shares repurchased during the quarter, other than through publicly announced plans or programs, represent purchases for the Company's employee awards program.
(2) On October 2, 2002, the Company announced that its Board of Directors had authorized the Company to repurchase up to 10,000,000 shares of common stock with no expiration date.

Item 6. SELECTED FINANCIAL DATA

Selected Financial Data for the five fiscal years ended October 25, 2009, on page 17 of the Annual Stockholders' Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information in the Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 18 through 35 of the

Annual Stockholders' Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information on the Company's exposure to market risk included in the Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 34 and 35 of the Annual Stockholders' Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements, including unaudited quarterly data, on pages 39 through 60 and the Report of Independent Registered Public Accounting Firm on page 38 of the Annual Stockholders' Report for the fiscal year ended October 25, 2009, are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report (the Evaluation Date), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

(a) The report entitled "Management's Report on Internal Control Over Financial Reporting" on page 36 of the Annual Stockholder's Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

(b) The report entitled "Report of Independent Registered Public Accounting Firm" on page 37 of the Annual Stockholder's Report for the fiscal year ended October 25, 2009, is incorporated herein by reference.

(c) During the fourth quarter of fiscal year 2009, there has been no changed in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information under "Item 1 - Election of Directors" on pages 2 through 4, information under "Board Independence" on pages 5 and 6, and information under "Board of Director and Committee Meetings" on pages 6 and 7 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

Information concerning Executive Officers is set forth in Part I, Item 1(f) of this Annual Report of Form 10-K, pursuant to Instruction 3 to Paragraph (b) of Item 401 of Regulation S-K.

Information under "Section 16(a) Beneficial Ownership Reporting Compliance," on page 30 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

The Company has adopted a Code of Ethical Business Conduct in compliance with applicable rules of the Securities and Exchange Commission that applies to its principal executive officer, its principal financial officer, and its principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethical Business Conduct is available on the Company's Web site at www.hormelfoods.com, free of charge, under the caption, "Investors — Corporate Governance." The Company intends to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Ethical Business Conduct by posting such information on the Company's Web site at the address and location specified above.

Item 11. EXECUTIVE COMPENSATION

Information commencing with "Executive Compensation" on page 13 through "Potential Payments Upon Termination at Fiscal 2009 Year End" on pages 29 and 30, and information under "Compensation of Directors" on pages 9 through 11 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding the Company's equity compensation plans as of October 25, 2009, is shown below:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	11,603,865	$ 30.86	18,997,874
Equity compensation plans not approved by security holders	—	—	—
Total	11,603,865	$ 30.86	18,997,874

Information under "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" on pages 12 and 13 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information under "Related Party Transactions" on page 30 and "Board Independence" on pages 5 and 6 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information under "Independent Registered Public Accounting Firm Fees" and "Audit Committee Preapproval Policies and Procedures" on pages 11 and 12 of the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held January 26, 2010, is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The response to Item 15 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HORMEL FOODS CORPORATION

By: /s/ JEFFREY M. ETTINGER — December 16, 2009

JEFFREY M. ETTINGER, Chairman of the Board, President and Chief Executive Officer — Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

registrant and in the capacities and on the dates indicated.

Name	Date	Title
/s/ JEFFREY M. ETTINGER JEFFREY M. ETTINGER	12/16/09	Chairman of the Board, President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ JODY H. FERAGEN JODY H. FERAGEN	12/16/09	Senior Vice President, Chief Financial Officer, and Director (Principal Financial Officer)
/s/ JAMES N. SHEEHAN JAMES N. SHEEHAN	12/16/09	Vice President and Controller (Principal Accounting Officer)
/s/ TERRELL K. CREWS* TERRELL K. CREWS	12/16/09	Director
/s/ SUSAN I. MARVIN* SUSAN I. MARVIN	12/16/09	Director
/s/ JOHN L. MORRISON* JOHN L. MORRISON	12/16/09	Director
ELSA A. MURANO	12/16/09	Director
/s/ ROBERT C. NAKASONE* ROBERT C. NAKASONE	12/16/09	Director
/s/ SUSAN K. NESTEGARD* SUSAN K. NESTEGARD	12/16/09	Director
/s/ RONALD D. PEARSON* RONALD D. PEARSON	12/16/09	Director
/s/ DAKOTA A. PIPPINS* DAKOTA A. PIPPINS	12/16/09	Director
/s/ DR. HUGH C. SMITH* DR. HUGH C. SMITH	12/16/09	Director
/s/ JOHN G. TURNER* JOHN G. TURNER	12/16/09	Director
*By: /s/ JAMES N. SHEEHAN JAMES N. SHEEHAN, *as Attorney-In-Fact*	12/16/09	

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ANNUAL REPORT ON FORM 10-K

ITEM 15

LIST OF FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULE

LIST OF EXHIBITS

Hormel Ex. 5-14

FISCAL YEAR ENDED OCTOBER 25, 2009

HORMEL FOODS CORPORATION

Austin, Minnesota

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Item 15

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

HORMEL FOODS CORPORATION

FINANCIAL STATEMENTS

The following consolidated financial statements of Hormel Foods Corporation included in the Annual Stockholders' Report for the fiscal year ended October 25, 2009, are incorporated herein by reference in Item 8 of Part II of this report:

Consolidated Statements of Financial Position—October 25, 2009, and October 26, 2008.

Consolidated Statements of Operations—Fiscal Years Ended October 25, 2009, October 26, 2008, and October 28, 2007.

Consolidated Statements of Changes in Shareholders' Investment—Fiscal Years Ended October 25, 2009, October 26, 2008, and October 28, 2007.

Consolidated Statements of Cash Flows—Fiscal Years Ended October 25, 2009, October 26, 2008, and October 28, 2007.

Notes to Financial Statements—October 25, 2009.

Report of Independent Registered Public Accounting Firm

FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedule of Hormel Foods Corporation required pursuant to Item 15(c) is submitted herewith:

Schedule II - Valuation and Qualifying Accounts and Reserves...F-3

FINANCIAL STATEMENTS AND SCHEDULES OMITTED

Condensed parent company financial statements of the registrant are omitted pursuant to Rule 5-04(c) of Article 5 of Regulation S-X.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

HORMEL FOODS CORPORATION

(In Thousands)

		Additions			
Classification	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged to Other Accounts-Describe**	**Deductions-Describe**	**Balance at End of Period**
Valuation reserve deduction from assets account:					

Hormel Ex. 5-15

Fiscal year ended October 25, 2009 Allowance for doubtful accounts receivable	$ 3,144	$ 1,821	$ 0	$ 1,112(1) (211)(2)	$ 4,064
Fiscal year ended October 26, 2008 Allowance for doubtful accounts receivable	$ 3,180	$ 473	$ 117(3)	$ 768(1) (142)(2)	$ 3,144
Fiscal year ended October 28, 2007 Allowance for doubtful accounts receivable	$ 3,922	$ (257)	$ 187(4)	$ 979(1) (307)(2)	$ 3,180

Note (1) — Uncollectible accounts written off.

Note (2) — Recoveries on accounts previously written off.

Note (3) — Increase in the reserve due to the inclusion of Boca Grande accounts receivable.

Note (4) — Increase in the reserve due to the inclusion of Burke and Provena accounts receivable.

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LIST OF EXHIBITS
HORMEL FOODS CORPORATION

NUMBER	DESCRIPTION OF DOCUMENT
3.1(1)	Certificate of Incorporation as amended to date. (Incorporated by reference to Exhibit 3A-1 to Hormel's Annual Report on Form 10-K/A for the fiscal year ended October 28, 2000, File No. 001-02402.)
3.2(1)	Bylaws as amended to date. (Incorporated by reference to Exhibit 3.2 to Hormel's Quarterly Report on Form 10-Q for the quarter ended January 25, 2009, File No. 001-02402.)
4.1(1)	Indenture dated as of June 1, 2001, between Hormel and U.S. Bank Trust National Association, as Trustee relating to certain outstanding debt securities. (Incorporated by reference to Exhibit 4.1 to Hormel's Registration Statement on Form S-4 dated, August 28, 2001, File No. 333-68498.)
4.2(1)	Supplemental Indenture No. 1 dated as of June 4, 2001, to Indenture dated as of June 1, 2001, between Hormel and U.S. Bank Trust National Association, as Trustee, relating to certain outstanding debt securities. (Incorporated by reference to Exhibit 4.2 to Hormel's Registration Statement on Form S-4 dated August 28, 2001, File No. 333-68498.)
4.3(1)	Letter of Representations dated June 5, 2001, among Hormel, U.S. Bank Trust National Association, as Trustee, and The Depository Trust Company relating to certain outstanding debt securities of Hormel. (Incorporated by reference to Exhibit 4.3 to Hormel's Registration Statement on Form S-4 dated August 28, 2001, File No. 333-68498.)
4.4(1)	Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of holders of certain long-term debt are not filed. Hormel agrees to furnish copies thereof to the Securities and Exchange Commission upon request.
10.1(1)(3)	Hormel Foods Corporation Operators' Shares Incentive Compensation Plan. (Incorporated by reference to Appendix A to Hormel's definitive Proxy Statement filed on December 19, 2007, File No. 001-02402.)
10.2(1)(3)	Hormel Foods Corporation Supplemental Executive Retirement Plan (2005 Restatement). (Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated September 18, 2006, File No. 001-02402.)
10.3(1)(3)	Hormel Foods Corporation 2000 Stock Incentive Plan (Amended 1-31-2006). (Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated January 31, 2006, File No. 001-02402.)
10.4(1)(3)	Hormel Foods Corporation Executive Deferred Income Plan II (2008 Restatement (2nd)). (Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated July 28, 2008, File No. 001-02402.)

10.5(1)(3)	Form of Indemnification Agreement for Directors and Officers. (Incorporated by reference to Exhibit 10.8 to Hormel's Annual Report on Form 10-K for the fiscal year ended October 26, 2002, File No. 001-02402.)
10.6(1)(3)	Hormel Foods Corporation Nonemployee Director Deferred Stock Plan (Plan Adopted October 4, 1999; Amended and Restated Effective January 1, 2008). (Incorporated by reference to Exhibit 10.6 to Hormel's Annual Report on Form 10-K for the fiscal year ended October 26, 2008, File No. 001-02402.)
10.7(1)(3)	Hormel Foods Corporation 2009 Nonemployee Director Deferred Stock Plan (Plan Adopted November 24, 2008). (Incorporated by reference to Exhibit 10.2 to Hormel's Quarterly Report on Form 10-Q for the quarter ended January 25, 2009, File No. 001-02402.)
10.8(1)(3)	Hormel Foods Corporation 2009 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated January 27, 2009, File No. 001-02402.)

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LIST OF EXHIBITS (CONTINUED)
HORMEL FOODS CORPORATION

NUMBER	DESCRIPTION OF DOCUMENT
10.9(1)(3)	Hormel Survivor Income Plan for Executives (1993 Restatement). (Incorporated by reference to Exhibit 10.11 to Hormel's Annual Report on Form 10-K for the fiscal year ended October 29, 2006, File No. 001-02402.)
11.1(1)	Statement re: computation of per share earnings. (Included in Exhibit 13.1 filed with this Annual Report on Form 10-K for the fiscal year ended October 25, 2009.)
13.1(2)	Pages 17 through 62 of the Annual Stockholders' Report for the fiscal year ended October 25, 2009.
18.1(1)	Preferability Letter Regarding Change in Accounting Principle. (Incorporated by reference to Exhibit 18.1 to Hormel's Quarterly Report on Form 10-Q for the quarter ended January 25, 2009, File No. 001-02402.)
21.1(2)	Subsidiaries of the Registrant.
23.1(2)	Consent of Independent Registered Public Accounting Firm.
24.1(2)	Power of Attorney.
31.1(2)	Certification Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(2)	Certification Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(2)	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1(1)	U.S. $200,000,000 Credit Agreement, dated as of June 1, 2005, between Hormel, the banks identified on the signature pages thereof, and Citicorp U.S.A. Inc., as Administrative Agent. (Incorporated by reference to Exhibit 99 to Hormel's Current Report on Form 8-K dated June 1, 2005, File No. 001-02402.)

(1) Document has previously been filed with the Securities and Exchange Commission and is incorporated herein by reference.
(2) These exhibits transmitted via EDGAR.
(3) Management contract or compensatory plan or arrangement.

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Section 2: EX-13.1 (EX-13.1)

Exhibit 13.1

SELECTED PAGES OF 2009 ANNUAL STOCKHOLDERS' REPORT

SELECTED FINANCIAL DATA

(in thousands, except per share amounts)	2009	2008	2007	2006	2005

Operations					
Net Sales	$ 6,533,671	$ 6,754,903	$ 6,193,032	$ 5,745,481	$ 5,413,997
Net Earnings	342,813	285,500	301,892	286,139	254,603
% of net sales	5.25%	4.23%	4.87%	4.98%	4.70%
EBIT(1)	533,414	513,661	483,920	450,709	425,939
% of net sales	8.16%	7.60%	7.81%	7.84%	7.87%
EBITDA(2)	660,552	639,850	610,658	571,810	541,128
% of net sales	10.11%	9.47%	9.86%	9.95%	9.99%
Return on Invested Capital(3)	14.08%	13.04%	13.49%	13.91%	13.60%
Financial Position					
Total Assets	3,692,055	3,616,471	3,393,650	3,060,306	2,846,560
Long-term Debt less Current Maturities	350,000	350,000	350,005	350,054	350,430
Shareholders' Investment	2,123,452	2,007,572	1,884,783	1,802,912	1,598,730
Selected Cash Flow Data					
Depreciation and Amortization	127,138	126,189	126,738	121,101	115,189
Capital Expenditures	96,961	125,890	125,795	141,516	107,094
Acquisitions of Businesses	701	27,225	125,101	78,925	366,496
Share Repurchase	38,147	69,551	86,794	36,978	22,977
Dividends Paid	101,376	95,531	81,092	75,840	69,371
Common Stock					
Basic Shares	134,227	135,360	137,216	137,845	138,040
Diluted Shares	135,489	137,128	139,151	139,561	139,577
Earnings per Share—Basic	2.55	2.11	2.20	2.08	1.84
Earnings per Share—Diluted	2.53	2.08	2.17	2.05	1.82
Dividends per Share	0.76	0.74	0.60	0.56	0.52
Shareholders' Investment per Share	15.89	14.92	13.89	13.10	11.60

The Company provides EBIT, EBITDA, and Return on Invested Capital because these measures are useful to investors as indicators of operating strength and performance relative to prior years, and are typically used to benchmark our Company's performance against other companies in our industry. These measures are calculated as follows:

	2009	2008	2007	2006	2005
(1) EBIT:					
Earnings Before Income Taxes	$ 524,982	$ 457,536	$ 469,837	$ 430,543	$ 406,726
Plus: Interest Expense	27,995	28,023	27,707	25,636	27,744
Less: Interest and Investment Income	(19,563)	28,102	(13,624)	(5,470)	(8,531)
EBIT	$ 533,414	$ 513,661	$ 483,920	$ 450,709	$ 425,939
(2) EBITDA:					
EBIT per (1) above	$ 533,414	$ 513,661	$ 483,920	$ 450,709	$ 425,939
Plus: Depreciation and Amortization	127,138	126,189	126,738	121,101	115,189
EBITDA	$ 660,552	$ 639,850	$ 610,658	$ 571,810	$ 541,128
(3) Return on Invested Capital:					
EBIT per (1) above	$ 533,414	$ 513,661	$ 483,920	$ 450,709	$ 425,939
X (1 – Effective Tax Rate)	65.30%	62.40%	64.25%	66.46%	62.60%
After-tax EBIT	348,319	320,522	310,941	299,541	266,630
Divided by:					
Total Debt	350,000	450,000	420,054	350,420	361,505
Shareholders' Investment	2,123,452	2,007,572	1,884,783	1,802,912	1,598,730
Total Debt and Shareholders' Investment	2,473,452	2,457,572	2,304,837	2,153,332	1,960,235
Return on Invested Capital	14.08%	13.04%	13.49%	13.91%	13.60%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Fiscal 2009

Hormel Foods achieved record earnings in fiscal 2009, with four of five operating segments surpassing last year's results. This is a particularly impressive accomplishment in light of the recessionary challenges present throughout 2009. Our bottom-line growth was enhanced as cost

inflation began to subside from the unprecedented high levels experienced in 2008. Specifically, lower raw material costs and lower freight and warehousing expenses were key drivers of our operating earnings growth. Additionally, the positive return on our rabbi trust investments significantly improved net interest and investment income, and was reflective of the strengthening financial markets during 2009.

Our top-line results were down slightly for the year. Despite a strong finish in fiscal 2008, increased competitive pressures brought on by changes in consumer spending behavior were evident in the fiscal 2009 revenue results in all our operating segments. Additional drivers of the lower revenue were the planned production cuts in our turkey business, the discontinuance of sales of Carapelli olive oil, intentional rationalization of unprofitable sales, increased promotional spending, and lower commodity prices in our pork and turkey complexes.

Grocery Products profitability benefited from improved input costs and expense variances while revenue was softened by shifting consumer trends, particularly in our microwave products. Our value-added franchises within Refrigerated Foods recorded increased profits for the year, while revenue dipped due in part to lower primal values and a continued weak foodservice environment. Lower feed costs, due to a planned reduction in turkey production and a reduced cost per ton, drove Jennie-O Turkey Store to increased profits for the year. Revenue was soft due to reduced production levels and lower market pricing. The Specialty Foods segment had decreased profits due to a challenging year for Century Foods International, which was offset in part by the strength of our private label business. Our International segment delivered improved profitability despite difficult export markets.

Fiscal 2010 Outlook

As we look toward fiscal 2010, we anticipate continued relief from input cost inflation during the first half of the year. The turkey industry is seeing a return to balance between supply and demand, which we believe will support improved earnings at our Jennie-O Turkey Store segment. Conversely, we will experience more difficult comparisons from our rabbi trust results, along with higher pension expenses. Additionally, we expect to see higher hog costs in the second half of the year.

Restoring our top-line growth during 2010 will be a priority. To achieve this, we will continue to drive our brand leadership with increased consumer advertising and store-level promotions. Innovation will continue to be top-of-mind as a growth vehicle for our business segments. The MegaMex Foods, LLC joint venture will be fully operational in 2010, and will expand our opportunities in key ethnic categories.

We will continue to look for strategic uses of our free cash flow and seek to return cash to our shareholders. For fiscal 2010, our dividend rate increased 11 percent to $0.84 per share; and we will continue to repurchase shares as authorized by our Board of Directors. Our strong cash position also allows us the flexibility to seek out investments and acquisitions that fit within the framework of our business segments.

CRITICAL ACCOUNTING POLICIES

This discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements of Hormel Foods Corporation (the Company), which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company evaluates, on an ongoing basis, its estimates for reasonableness as changes occur in its business environment. The Company bases its estimates on experience, the use of independent third-party specialists, and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments, estimates, and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes the following are its critical accounting policies:

Inventory Valuation

The Company values its pork inventories at the lower of cost or USDA market prices (primal values). When the carcasses are disassembled and transferred from primal processing to various manufacturing departments, the primal values, as adjusted by the Company for product specifications and

further processing, become the basis for calculating inventory values. Turkey raw materials are represented by the deboned meat quantities. The Company values these raw materials using a concept referred to as the “meat cost pool.” The meat cost pool is determined by combining the cost to grow turkeys with processing costs, less any net sales revenue from by-products created from the processing and not used in producing Company products. The Company has developed a series of ratios using historical data and current market conditions (which themselves involve estimates and judgment determinations by the Company) to allocate the meat cost pool to each meat component. Substantially all inventoriable expenses, meat, packaging, and supplies are valued by the average cost method.

Goodwill and Other Intangibles

The Company’s identifiable intangible assets are amortized over their useful life, unless the useful life is determined to be indefinite. The useful life of an identifiable intangible asset is based on an analysis of several factors including: contractual, regulatory, or legal obligations, demand, competition, and industry trends. Goodwill and indefinite-lived intangible assets are not amortized, but are tested at least annually for impairment.

The goodwill impairment test is a two-step process performed at the reporting unit level. The Company’s reporting units represent operating

segments (aggregations of business units that have similar economic characteristics and share the same production facilities, raw materials, and labor force). First, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of each reporting unit is determined on the basis of estimated discounted cash flow. The assumptions used in the estimate of fair value, including future growth rates, terminal values, and discount rates, require significant judgment. The estimates and assumptions used consider historical performance and are consistent with the assumptions used in determining future profit plans for each reporting unit, which are approved by the Company's Board of Directors. The Company reviews product growth patterns, market share information, industry trends, peer group statistics, changes in distribution channels, and economic indicators in determining the estimates and assumptions used to develop cash flow and profit plan assumptions. Additionally, the Company performs sensitivity testing of the profit plan assumptions and discount rate to assess the impact on the fair value for each reporting unit under various circumstances.

If the first step results in the carrying value exceeding the fair value of any reporting unit, then a second step must be completed in order to determine the amount of goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference. Performance of the second step was not required for any of the Company's reporting units for fiscal 2009, and no goodwill impairment charges were recorded.

Annual impairment testing for indefinite-lived intangible assets compares the fair value and carrying value of the intangible. The fair value of indefinite-lived intangible assets is primarily determined on the basis of estimated discounted value, using the relief from royalty method. The assumptions used in the estimate of fair value, including future sales projections and discount rates, require significant judgment. The Company considers historical performance and various Company and industry factors when determining the assumptions to use in estimating the fair value. If the carrying value exceeds fair value, the indefinite-lived intangible asset is considered impaired and an impairment charge is recorded for the difference. Intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate elements of long-lived assets. The remaining useful life of these assets is also evaluated at least annually during this process.

Accrued Promotional Expenses

Accrued promotional expenses are unpaid liabilities for customer promotional programs in process or completed as of the end of the fiscal year. Promotional contractual accruals are based on agreements with customers for defined performance. The liability relating to these agreements is based on a review of the outstanding contracts on which performance has taken place but for which the promotional payments relating to such contracts remain unpaid as of the end of the fiscal year. The level of customer performance is a significant estimate used to determine these liabilities.

Employee Benefit Plans

The Company incurs expenses relating to employee benefits, such as noncontributory defined benefit pension plans and post-retirement health care benefits. In accounting for these employment costs, management must make a variety of assumptions and estimates including mortality rates, discount rates, overall Company compensation increases, expected return on plan assets, and health care cost trend rates. The Company considers historical data as well as current facts and circumstances when determining these estimates. The Company uses third-party specialists to assist management in the determination of these estimates and the calculation of certain employee benefit expenses.

Income Taxes

The Company records income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Changes in enacted tax rates are reflected in the tax provision as they occur.

The Company computes its provision for income taxes based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company's tax positions and determining its annual tax provision. While the Company considers all of its tax positions fully supportable, the Company is occasionally challenged by various tax authorities regarding the amount of taxes due. The Company recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination, based on the technical merits of the position. That position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A change in judgment related to the expected ultimate resolution of uncertain tax positions will be recognized in earnings in the quarter of such change.

RESULTS OF OPERATIONS

OVERVIEW

The Company is a processor of branded and unbranded food products for retail, foodservice, and fresh product customers. The Company operates in the following five segments:

Segment	Business Conducted
Grocery Products	This segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market.
Refrigerated Foods	This segment includes the Hormel Refrigerated, Farmer John, Burke Corporation (Burke), and Dan's Prize operating

Hormel Ex. 5-20

segments. This segment consists primarily of the processing, marketing, and sale of branded and unbranded pork and beef products for retail, foodservice, and fresh product customers. Results for the Hormel Refrigerated operating segment include the Precept Foods business, which offers a variety of case-ready beef and pork products to retail customers. Precept Foods, LLC, is a 51 percent owned joint venture between Hormel Foods Corporation and Cargill Meat Solutions Corporation, a wholly-owned subsidiary of Cargill, Incorporated.

Jennie-O Turkey Store This segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and fresh product customers.

Specialty Foods This segment includes the Diamond Crystal Brands (DCB), Century Foods International (CFI), and Hormel Specialty Products (HSP) operating segments. This segment consists of the packaging and sale of various sugar and sugar substitute products, salt and pepper products, liquid portion products, dessert mixes, ready-to-drink products, gelatin products, and private label canned meats to retail and foodservice customers. This segment also includes the processing, marketing, and sale of nutritional food products and supplements to hospitals, nursing homes, and other marketers of nutritional products.

All Other This segment includes the Hormel Foods International (HFI) operating segment, which manufactures, markets, and sells Company products internationally. This segment also includes various miscellaneous corporate sales.

FISCAL YEARS 2009 AND 2008

Consolidated Results

Net Earnings

Net earnings for the fourth quarter of fiscal 2009 were $103.9 million, an increase of 53.2 percent compared to earnings of $67.8 million for the same quarter last year. Diluted earnings per share were $0.77 compared to $0.50 for the same quarter last year. Net earnings for the year increased 20.1 percent to $342.8 million from $285.5 million in fiscal 2008. Diluted earnings per share for fiscal 2009 increased to $2.53 from $2.08 in the prior year.

Gains on investments held in the Company's rabbi trust for supplemental executive retirement plans and deferred income plans in fiscal 2009 were a key driver of the earnings increase. The Company reported gains of $3.7 million and $15.3 million for the 2009 fourth quarter and fiscal year, respectively, compared to losses of $20.4 million and $29.0 million for the comparable periods of fiscal 2008.

Sales

Net sales for the fourth quarter decreased to $1.68 billion from $1.86 billion in 2008, a decrease of 10.0 percent. Net sales for the twelve months of fiscal 2009 decreased 3.3 percent to $6.53 billion compared to $6.75 billion last year. Tonnage for the fourth quarter decreased 3.2 percent to 1.18 billion lbs.

compared to the prior year at 1.21 billion lbs. Tonnage for the year decreased 2.6 percent to 4.56 billion lbs. from 4.68 billion lbs. in the prior year. Top-line results declined due to a combination of factors. A weak consumer environment resulted in softer sales throughout fiscal 2009, and continued to have a significant impact during the fourth quarter. Planned volume reductions at Jennie-O Turkey Store, the discontinuance of sales of Carapelli® olive oil, and product rationalizations during fiscal 2009 also contributed to the decline for the year. Net sales decreases outpacing tonnage reductions for the year also reflect lower pricing in our pork and turkey complexes. Although some economic recovery is expected during fiscal 2010, weak consumer spending will remain a challenge throughout the upcoming year and may continue to impact sales results. Formation of the MegaMex Foods, LLC joint venture will provide some top-line growth going forward.

Gross Profit

Gross profit was $304.2 million and $1.10 billion for the fourth quarter and year, respectively, compared to $276.2 million and $1.06 billion last year. As a percentage of net sales, gross profit increased to 18.2 percent for the fourth quarter compared to 14.8 percent in fiscal 2008, and increased to 16.8 percent for the year compared to 15.7 percent in fiscal 2008. The Refrigerated Foods segment realized margin gains throughout fiscal 2009 as reduced input costs were more than able to offset the impact of unfavorable cut-out margins in pork operations. These gains were most notable in the second half of the year, as a rapid increase in input costs in the latter half of fiscal 2008 had decreased margins in the Company's value-added business units. Lower feed costs at Jennie-O Turkey Store also contributed to the margin improvement, resulting from a planned reduction in turkey production and a decreased cost per ton in fiscal 2009 compared to the prior year. Significantly lower freight expense across most segments of the Company also benefited margins for both the fourth quarter and fiscal year.

During at least the first half of fiscal 2010, the Company expects gross margins to continue to be positively impacted by lower raw material costs. In the second half of the year, higher hog costs resulting from a decreased supply may begin to negatively impact margins for Refrigerated Foods. The turkey industry has started to see a return to balance between supply and demand, which should continue to strengthen results for the Jennie-O Turkey Store segment compared to fiscal 2009. However, feed costs have been volatile recently, which may also impact margin results.

Selling, General and Administrative

Selling, general and administrative expenses for the fourth quarter and year were $142.7 million and $567.1 million, respectively, compared to $132.9 million and $552.5 million last year. As a percentage of net sales, selling, general and administrative expenses for the fourth quarter increased to 8.5 percent of net sales compared to 7.1 percent of net sales in the prior year. For the fiscal year, the expenses increased to 8.7 percent from 8.2 percent in fiscal 2008. Increases for both the fourth quarter and fiscal year reflect higher employee incentive plan costs, increased pension and medical expenses, and additional charitable contributions compared to fiscal 2008. These increases offset reductions in travel and advertising expenses compared to the prior year. As a percentage of net sales, the Company expects selling, general and administrative expenses to approximate 8.8 percent in fiscal 2010, which reflects an anticipated year over year increase in advertising expenses, as well as a notable increase in pension expenses.

Research and development expenses were $6.5 million and $25.4 million for the fourth quarter and year, respectively, compared to $5.7 million and $22.7 million in 2008. Research and development expenses are again expected to increase during fiscal 2010, as product innovation and expansions of value-added product lines continue to be priorities for the Company.

Equity in Earnings of Affiliates

Equity in earnings of affiliates was $0.7 million and $1.6 million for the fourth quarter and year, respectively, compared to $0.8 million and $4.2 million last year. Equity for both the fourth quarter and fiscal year was negatively impacted by the dissolution of the Company’s Carapelli USA, LLC joint venture in the second quarter of fiscal 2009. Notable declines for the year were also reported by the Company’s 40 percent owned Philippine joint venture, Purefoods-Hormel Company, and the Company’s 49 percent owned joint venture, San Miguel Purefoods (Vietnam) Co. Ltd. These declines were partially offset by stronger results from the Company’s 50 percent owned joint venture, Herdez Corporation. Minority interests in the Company’s consolidated investments are also reflected in these figures, and remained comparable to the prior year.

On October 26, 2009, subsequent to the end of the fiscal year, the Company completed the formation of MegaMex Foods, LLC, a joint venture which will market Mexican foods in the United States. The Company will have a 50 percent ownership interest in this joint venture, and the investment will be included in the Grocery Products segment. As a result of this new joint venture, as well as improved performance anticipated from the Company’s other joint venture operations, the Company expects equity in earnings of affiliates to increase in fiscal 2010.

In conformity with U.S. generally accepted accounting principles, the Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest are accounted for under the equity or cost method. These investments, along

with receivables from other affiliates, are included in the Consolidated Statement of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 25, 2009, was as follows:

Country	**Investments/Receivables (in thousands)**
United States	$ 3,572
Philippines	56,609
Vietnam	21,816
Mexico	4,161
Japan	441
Total	$ 86,599

Income Taxes

The Company’s effective tax rate for the fourth quarter and year was 34.1 percent and 34.7 percent, respectively, in fiscal 2009 compared to 41.9 percent and 37.6 percent, respectively, for the quarter and year in fiscal 2008. The lower rate for both the fourth quarter and fiscal year is primarily due to positive returns on the Company’s rabbi trust investments in the current year versus significant losses in the prior year, which are not subject to tax. The Company expects the effective tax rate in fiscal 2010 to be between 35.0 and 36.0 percent.

Segment Results

Net sales and operating profits for each of the Company’s segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, we do not represent that these segments, if operated independently, would report the operating profit and other financial information shown below. (Additional segment financial information can be found in Note L “Segment Operating Results.”)

	Fourth Quarter Ended			**Year Ended**		
(in thousands of dollars)	**October 25, 2009**	**October 26, 2008**	**% Change**	**October 25, 2009**	**October 26, 2008**	**% Change**
Net Sales						
Grocery Products	$ 232,043	$ 263,383	(11.9)	$ 924,682	$ 947,184	(2.4)
Refrigerated Foods	857,178	941,413	(8.9)	3,436,242	3,521,672	(2.4)
Jennie-O Turkey Store	337,544	374,132	(9.8)	1,227,709	1,268,002	(3.2)
Specialty Foods	189,051	214,337	(11.8)	708,730	777,659	(8.9)
All Other	59,286	68,247	(13.1)	236,308	240,386	(1.7)
Total	$ 1,675,102	$ 1,861,512	(10.0)	$ 6,533,671	$ 6,754,903	(3.3)

Segment Operating Profit									
Grocery Products	$	46,004	$	40,939	12.4	$	162,531	$	148,768	9.3
Refrigerated Foods		70,440		57,199	23.1		226,171		211,961	6.7
Jennie-O Turkey Store		25,062		23,716	5.7		86,909		78,306	11.0
Specialty Foods		21,247		19,423	9.4		68,484		70,124	(2.3)
All Other		9,695		6,348	52.7		27,631		27,001	2.3
Total segment operating profit		172,448		147,625	16.8		571,726		536,160	6.6
Net interest and investment income		(4,481)		(27,387)	83.6		(8,432)		(56,125)	85.0
General corporate expense		(10,294)		(3,517)	(192.7)		(38,312)		(22,499)	(70.3)
Earnings before income taxes	$	157,673	$	116,721	35.1	$	524,982	$	457,536	14.7

Grocery Products

Grocery Products net sales decreased 11.9 percent for the fourth quarter and 2.4 percent for the year compared to fiscal 2008. Tonnage decreased 6.9 percent for the quarter and 2.6 percent for the year compared to prior year results. Top-line results for both the fourth quarter and year were negatively impacted by the discontinuance of sales of Carapelli® olive oil at the end of the second quarter of fiscal 2009, as well as the rationalization of certain other non-strategic product lines. Increased promotional support also contributed to the sales decline. This segment experienced weakness in consumer spending, particularly in the microwave category, as sales of *Hormel® Compleats®* microwave meals declined compared to fiscal 2008 levels due to the ongoing economic trend away from convenience items. Sales of *Hormel®* chili remained strong, showing double-digit sales increases for both the fourth quarter and fiscal year compared to 2008.

Segment profit for Grocery Products increased 12.4 percent for the fourth quarter and 9.3 percent for the year compared to fiscal 2008. Lower pork input costs, product mix improvements, and pricing advances taken early in the year provided a substantial benefit throughout fiscal 2009.

Increased sales of our *SPAM®* family of products and decreased expenses related to freight, warehousing, and packaging also contributed to the improved profit results.

Balanced revenue and segment profit growth in core product lines will be a priority for Grocery Products in fiscal 2010. Formation of the MegaMex Foods, LLC joint venture will provide additional top-line growth and equity in earnings for this segment. Construction of the new production facility in Dubuque, Iowa, will be completed early in the year, which will provide additional capacity for both canned and microwave tray items. Lower input costs are expected to provide some additional benefit in the first half of 2010, but are anticipated to increase in the latter half of the year, which may negatively impact margins as the year progresses.

Refrigerated Foods

Net sales by the Refrigerated Foods segment were down 8.9 percent for the fourth quarter and 2.4 percent for the twelve months compared to fiscal 2008. Tonnage increased 1.0 percent for the fourth quarter and decreased 1.0 percent for the fiscal year as compared to 2008. Weak economic conditions impacted sales results for this segment throughout fiscal 2009, most notably in the Foodservice business unit. Lower primal values also resulted in reduced prices for commodity pork, hams, and bacon.

Segment profit for Refrigerated Foods increased 23.1 percent in the fourth quarter and 6.7 percent for the twelve months, compared to fiscal 2008. The Company’s hog processing for the fourth quarter decreased 1.8 percent to 2.40 million hogs from 2.45 million hogs for the comparable period last year. For the fiscal year, hog processing decreased 1.1 percent to 9.44 million hogs from 9.55 million hogs in fiscal 2008. Lower input costs and a more favorable product mix for our value-added businesses were the key drivers of the improved profit results compared to fiscal 2008. Sizable pork operating losses, generated by unfavorable cut-out margins compared to the prior year and reserve adjustments related to producer contracts, offset a portion of these gains. A significant reduction in freight expenses during fiscal 2009 also strengthened the profit results for this segment.

Although the Meat Products business unit experienced an overall sales decline in the fourth quarter, their results on key product lines remained strong. For the fourth quarter and fiscal year, double-digit sales growth was achieved for *Hormel®* retail pepperoni, *Di Lusso®* products, and prepared deli foods. Sales of *Hormel® Natural Choice®* lunchmeats and *Hormel®* party trays also showed notable gains for 2009 compared to the prior year. The Company is pursuing additional initiatives in fiscal 2010 to support the *Hormel®* brand, which should have a favorable impact on sales results for Meat Products in upcoming quarters. The Foodservice business unit reported an overall sales decline for the year, as they continued to experience decreased travel and restaurant business due to the economic conditions that have existed throughout fiscal 2009. Although some recovery in the foodservice sector is expected in 2010, the Company does not expect to see improvement in the near term, and continues to pursue other foodservice channels to offset a portion of the lost sales.

Farmer John was challenged throughout fiscal 2009, as the lower hog markets generated significant losses for the Company’s live hog production operations. Improvements in those markets, as well as the continued expansion of value-added products, are expected to improve the results for this business unit in 2010.

Industry-wide sow liquidations did not reduce the hog supply as quickly as anticipated during fiscal 2009, and have been partially offset by increased productivity. The Company expects some additional decline in supply during fiscal 2010. This decline may increase input costs moderately in the first half of the year, and will likely increase more significantly in the second half of the year, which will impact margins for Refrigerated Foods. However, improved pork operating margins should provide some benefit. The impact of economic conditions, particularly in

the foodservice sector, also continues to be a concern entering 2010.

Jennie-O Turkey Store

Jennie-O Turkey Store (JOTS) net sales for the fourth quarter and year decreased 9.8 percent and 3.2 percent, respectively, compared to fiscal 2008. Tonnage decreased 6.3 percent for the fourth quarter and 3.1 percent for the twelve months, compared to prior year results. Lower commodity meat sales, due to overall lower market pricing compared to the prior year, were the key driver of the sales decline. Planned volume reductions also impacted sales, and JOTS ended the year with significantly lower inventory levels compared to fiscal 2008. Value-added net sales also declined during the second half of the fiscal year, reflecting the ongoing impact of weak economic conditions.

Segment profit for JOTS increased 5.7 percent for the fourth quarter and 11.0 percent for the year compared to fiscal 2008. Lower feed costs, due to the planned reductions in turkey production and a decreased cost per ton, have been the key driver of the improved profit results throughout fiscal 2009. Commodity markets were low as the industry experienced an oversupply of breast meat and whole birds during the majority of the fiscal year. Export markets were also volatile during 2009. The volume reductions noted above were able to reduce the Company's exposure to the lower markets and allowed JOTS to avoid generating surplus breast meat. JOTS also benefited from significantly reduced freight expenses during fiscal 2009.

Value-added net sales for JOTS declined in the latter half of 2009, but maintained a slight increase for the fiscal year compared to 2008. Products such as *Jennie-O Turkey Store*® tray pack products, pan roasts, and franks ended the year with strong fourth quarter results, but were unable to offset decreases in other retail and deli product lines. Weak consumer demand remains a concern and the Company will continue to support key products with advertising and promotional support to improve value-added sales results in upcoming quarters.

Production cutbacks have continued to decrease industry supplies, and cold storage levels have recently started to decline. As a result, commodity pricing improved at the end of fiscal 2009 and should begin to enhance profit results for JOTS in fiscal 2010. However, feed costs have also been volatile recently, which may impact margins for this segment going forward.

Specialty Foods

Specialty Foods net sales decreased 11.8 percent for the fourth quarter and 8.9 percent for the twelve months compared to fiscal 2008. Tonnage decreased 8.3 percent for the quarter and 9.0 percent for the twelve months compared to last year. The Boca Grande Foods, Inc. (Boca Grande) acquisition contributed an incremental $13.8 million of net sales and 15.8 million lbs. of tonnage to the fiscal year 2009 results for this segment.

Specialty Foods segment profit increased 9.4 percent for the fourth quarter but decreased 2.3 percent for the year compared to fiscal 2008. Results for the operating segments within Specialty Foods were mixed. The strong results for the fourth quarter and year were driven by improved sales and margins on HSP private label canned meats, which offset reductions in contract packaging sales. An overall reduction in freight and warehousing expenses also provided a benefit to this segment throughout fiscal 2009. For the full year, however, these gains were not enough to offset lower results at CFI due to decreased sales of nutritional powders, ready-to-drink products, and ingredient blends. Although results for DCB were relatively flat for the fourth quarter, product mix improvements resulting in increased sales of sugar substitutes, nutritional products, and liquid portion products contributed to profit increases for the full year compared to fiscal 2008.

Looking forward, this segment expects sales of private label canned goods to remain strong entering 2010. Contract packaging sales at CFI are also expected to rebound following the slowdowns experienced during fiscal 2009. DCB will continue to be challenged with competitive pricing pressures on certain key product lines, but anticipates profit growth during the upcoming year.

All Other

All Other net sales decreased 13.1 percent for the fourth quarter and 1.7 percent for the year compared to fiscal 2008. Export sales of fresh pork were weak, most notably in the fourth quarter, due the continuing weak global economy and certain bans still in place related to the H1N1 flu virus.

All Other segment profit increased 52.7 percent and 2.3 percent for the quarter and year, respectively, compared to last year. The significant increase in the fourth quarter was due to lower raw material, freight, and advertising costs, which also provided some benefit on an annual basis. Currency exchange rates, which had been unfavorable throughout much of fiscal 2009, began to show some improvement late in the year and also contributed to the increased profits for this segment. The improved currency markets and lower raw materials costs are expected to continue in the first half of fiscal 2010, which should strengthen profit results. The gains realized due to lower expenses for the year were partially offset by the Company's international joint ventures, which reported a substantial profit decrease compared to fiscal 2008 results.

Unallocated Income and Expenses

The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

Net interest and investment income for the fourth quarter and year was a net expense of $4.5 million and $8.4 million, respectively, compared to a net expense of $27.4 million and $56.1 million for the comparable periods of fiscal 2008. Positive investment returns on the Company's rabbi trust for supplemental executive retirement plans and deferred income plans was the key driver of the improved results, increasing $24.1 million and $44.2 million for the fourth quarter and fiscal year, respectively, compared to the losses that were incurred in fiscal 2008. Fiscal 2009 results also

include a $3.6 million pretax gain recognized on the dissolution of the Company's Carapelli USA, LLC joint venture. Additionally, the Company recorded a $2.4 million investment write-off in fiscal 2008. These investment gains were partially offset by $2.1 million of additional amortization expense related to the Company's affordable housing investments during fiscal 2009. Interest expense of $28.0 million for fiscal 2009 was even with fiscal 2008. The only debt balance remaining at the end of fiscal 2009 relates to the Company's $350.0 million senior notes which mature in 2011. The Company expects interest expense to be between $27.0 million and $29.0 million for fiscal 2010.

General corporate expense for the fourth quarter and year was $10.3 million and $38.3 million, respectively, compared to $3.5 million and $22.5 million for the prior year quarter and twelve months. Increases for both the fourth quarter and year are primarily due to higher employee compensation plan costs and additional charitable contributions compared to the prior year. The increased expense for the year also reflects higher medical and pension related expenses, which are expected to continue into fiscal 2010.

FISCAL YEARS 2008 AND 2007

Consolidated Results

Net Earnings

Net earnings for the fourth quarter of fiscal 2008 were $67.8 million, a decrease of 33.0 percent compared to earnings of $101.2 million for the same period in fiscal 2007. Diluted earnings per share were $0.50 compared to $0.73 for the same period in 2007. Net earnings for the year decreased 5.4 percent to $285.5 million from $301.9 million in fiscal 2007. Diluted earnings per share for fiscal 2008 decreased to $2.08 from $2.17 in 2007.

Losses on investments held in the Company's rabbi trust for supplemental executive retirement plans and deferred income plans in 2008 were a key factor in the net earnings decline. The Company incurred losses of $20.4 million and $29.0 million for the 2008 fourth quarter and fiscal year, respectively, compared to gains of $4.6 million and $6.9 million for the comparable periods of fiscal 2007. Fiscal 2007 earnings for the fourth quarter and year also included a $4.8 million pretax gain from the sale of a Company airplane, and a $2.0 million pretax gain related to the dissolution of the Company's Patak's Foods USA (Patak's) joint venture.

Sales

Net sales for the fourth quarter increased to $1.86 billion from $1.66 billion in 2007, an increase of 11.8 percent. Net sales for the twelve months of fiscal 2008 increased 9.1 percent to $6.75 billion compared to $6.19 billion in 2007. Tonnage for the fourth quarter of fiscal 2008 increased 3.4 percent to 1.21 billion lbs. compared to 1.17 billion lbs. in 2007. Tonnage for the year increased 5.0 percent to 4.68 billion lbs. from 4.46 billion lbs. in 2007. Tonnage growth in fiscal 2008 was driven by a combination of value-added sales growth and additional commodity meat sales. Net sales growth outpacing tonnage increases primarily reflected the impact of pricing advances taken throughout fiscal 2008 in response to significantly higher input costs compared to fiscal 2007.

Fourth quarter net sales and tonnage comparisons for fiscal 2008 were positively impacted by the third quarter 2008 acquisition of Boca Grande and the fourth quarter 2007 acquisition of Burke. Full-year comparisons also benefited from the first quarter 2007 acquisition of Provena Foods Inc. (Provena). On a combined basis, these acquisitions contributed an incremental $23.2 million of net sales and 15.1 million lbs. of tonnage to the fourth quarter 2008 results, and $129.5 million of net sales and 88.2 million lbs. of tonnage to the total fiscal 2008 results. Excluding the impact of these acquisitions, net sales and tonnage increased 10.5 percent and 2.1 percent, respectively, compared to the fourth quarter of fiscal 2007, and increased 7.0 percent and 3.0 percent, respectively, compared to total fiscal 2007.

Gross Profit

Gross profit was $276.2 million and $1.06 billion for the fourth quarter and year, respectively, compared to $278.0 million and $1.00 billion in fiscal 2007. As a percentage of net sales, gross profit decreased to 14.8 percent for the fourth quarter compared to 16.7 percent in 2007, and decreased to 15.7 percent for the year compared to 16.2 percent in 2007. Although value-added sales growth remained strong during fiscal 2008, several factors negatively impacted margin results compared to fiscal 2007. Higher grain input costs drove substantial margin declines throughout fiscal 2008, most notably in the Jennie-O Turkey Store segment which reported higher feed related costs for the year of approximately $167.0 million, which were not fully recovered through pricing advances or the Company's hedging programs. In the second half of fiscal 2008, an oversupply of turkey breast meat in the market also kept commodity prices low and further reduced margins. In Refrigerated Foods, lower hog markets resulted in higher margins in the first half of the year. However, a rapid increase in input costs in the latter half of the year pressured margins in the Company's value-added business units, as pricing could not be advanced quickly enough to recover the increased expenses. Margins in fiscal 2008 also reflected higher shipping and handling costs of $13.3 million and $48.1 million for the fourth quarter and fiscal year, respectively, compared to fiscal 2007, primarily due to higher fuel costs.

Selling, General and Administrative

Selling, general and administrative expenses for the 2008 fourth quarter and fiscal year were $132.9 million and $552.5 million, respectively, compared to $123.7 million and $522.4 million in fiscal 2007. Advertising expenses increased for both the fourth quarter and fiscal year, and comparisons for the twelve months reflected lower gains on natural gas hedges and higher travel expenses in fiscal 2008. In addition, the increase for the full year included the impact of a change in allocation methodology for one of the Company's operating segments. Certain expenses were reclassified from cost of products sold into selling, general and administrative expense, making the classification more consistent across the Company. Finally, the increased expense for both the fourth quarter and fiscal year included the impact of a $4.8 million

gain on the sale of a Company airplane in the fourth quarter of fiscal 2007.

As a percentage of net sales, selling, general and administrative expenses for the fourth quarter decreased to 7.1 percent of net sales compared to 7.4 percent of net sales in fiscal 2007. For the fiscal year, the expenses declined to 8.2 percent from 8.4 percent in 2007. The percentage declines reflected the impact of pricing initiatives taken throughout fiscal 2008.

Research and development expenses were $5.7 million and $22.7 million for the 2008 fourth quarter and year, respectively, compared to $6.0 million and $21.5 million in 2007.

Equity in Earnings of Affiliates

Equity in earnings of affiliates was $0.8 million and $4.2 million for the fourth quarter and year, respectively, compared to $1.4 million and $3.5 million in 2007. Declines for the quarter were experienced by the majority of the Company's joint venture operations. For the fiscal year, improved performance was most notable for the Company's former joint venture, Carapelli USA, LLC, and the Company's 49 percent owned joint venture, San Miguel Purefoods (Vietnam) Co. Ltd. Minority interests in the Company's consolidated investments are also reflected in these figures, representing decreased earnings of $1.2 million for fiscal year 2008 compared to 2007.

In conformity with U.S. generally accepted accounting principles, the Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest are accounted for under the equity or cost method. These investments, along with receivables from other affiliates, are included in the Consolidated Statement of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 26, 2008, was as follows:

Country	Investments/Receivables (in thousands)
United States	$ 11,190
Philippines	55,753
Vietnam	22,026
Mexico	4,648
Total	$ 93,617

Income Taxes

The Company's effective tax rate for the fourth quarter and year was 41.9 percent and 37.6 percent, respectively, in fiscal 2008 compared to 34.9 percent and 35.7 percent, respectively, for the quarter and year in fiscal 2007. The higher rate for both the fourth quarter and fiscal year was primarily due to the significant losses incurred on the Company's rabbi trust, which are not tax deductible. These increases were partially offset by a statutory increase in the federal manufacturing activities deduction, which had risen from 3.0 percent of qualified manufacturing expenses in fiscal 2007 to 6.0 percent of such expenses in fiscal 2008.

Segment Results

Net sales and operating profits for each of the Company's segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, we do not represent that these segments, if operated independently, would report the operating profit and other financial information shown below.

	Fourth Quarter Ended			Year Ended		
(in thousands of dollars)	October 26, 2008	October 28, 2007	% Change	October 26, 2008	October 28, 2007	% Change
Net Sales						
Grocery Products	$ 263,383	$ 247,432	6.4	$ 947,184	$ 879,423	7.7
Refrigerated Foods	941,413	850,608	10.7	3,521,672	3,270,204	7.7
Jennie-O Turkey Store	374,132	336,906	11.0	1,268,002	1,162,152	9.1
Specialty Foods	214,337	178,626	20.0	777,659	692,468	12.3
All Other	68,247	50,775	34.4	240,386	188,785	27.3
Total	$ 1,861,512	$ 1,664,347	11.8	$ 6,754,903	$ 6,193,032	9.1
Segment Operating Profit						
Grocery Products	$ 40,939	$ 42,399	(3.4)	$ 148,768	$ 141,445	5.2
Refrigerated Foods	57,199	51,031	12.1	211,961	173,924	21.9
Jennie-O Turkey Store	23,716	42,129	(43.7)	78,306	106,890	(26.7)
Specialty Foods	19,423	13,050	48.8	70,124	61,448	14.1
All Other	6,348	6,892	(7.9)	27,001	23,085	17.0
Total segment operating profit	147,625	155,501	(5.1)	536,160	506,792	5.8
Net interest and investment income	(27,387)	(172)	(15,822.7)	(56,125)	(14,083)	(298.5)
General corporate (expense) income	(3,517)	179	(2,064.8)	(22,499)	(22,872)	1.6
Earnings before income taxes	$ 116,721	$ 155,508	(24.9)	$ 457,536	$ 469,837	(2.6)

Grocery Products

Grocery Products net sales increased 6.4 percent for the quarter and 7.7 percent for the year compared to fiscal 2007. Tonnage decreased 1.2 percent for the quarter and increased 3.4 percent for the year compared to fiscal 2007 results.

Top-line growth for fiscal 2008 was due to volume gains on core product lines. Notable growth was reported on the *SPAM®* family of products and *Hormel®* chili. *Dinty Moore®* stew also showed improved results, following the introduction of the new Big Bowl microwave products in the second half of the year. Net sales for both the fourth quarter and year also benefited from pricing advances taken on several product lines throughout fiscal 2008. The tonnage decline for the fourth quarter resulted primarily from softening sales of *Hormel® Compleats®* microwave meals, driven by higher pricing and a shift in consumer buying preferences due to current economic conditions.

Segment profit for Grocery Products decreased 3.4 percent for the quarter and increased 5.2 percent for the year compared to fiscal 2007. Favorable input costs and strong volumes in the first half of the year resulted in the overall gain for the fiscal year. However, the profit decline for the fourth quarter reflected cost pressures in the second half of the year, primarily related to higher beef and pork trim costs. An overall shift in product mix to lower margin products also impacted results for both the fourth quarter and fiscal year.

Refrigerated Foods

Net sales by the Refrigerated Foods segment were up 10.7 percent for the quarter and 7.7 percent for the twelve months compared to fiscal 2007. Tonnage increased 1.2 percent for the quarter and 4.4 percent for the fiscal year as compared to 2007. Net sales and tonnage comparisons were positively impacted by the fourth quarter 2007 acquisition of Burke, and year to date comparisons also benefited from the first quarter 2007 acquisition of Provena. These acquisitions contributed an incremental $15.9 million of net sales and 6.9 million lbs. of tonnage to the fourth quarter 2007 results, and $119.7 million of net sales and 76.8 million lbs. of tonnage to the twelve month results. Excluding the impact of these acquisitions, net sales increased 8.8 percent while tonnage remained flat compared to the fiscal 2007 fourth quarter, and net sales and tonnage increased 4.0 percent and 1.2 percent, respectively, compared to total fiscal 2007.

Segment profit for Refrigerated Foods increased 12.1 percent in the fourth quarter and 21.9 percent for the twelve months, compared to fiscal 2007. Following a rapid increase in raw material costs in the third and early fourth quarter, declining hog prices and increasing cutout values strengthened pork margins during the latter half of the quarter. Overall, markets were favorable for the full year, as hog costs remained flat compared to fiscal 2007 while cutout values increased 1.7 percent. The Company's hog processing for the fourth quarter of 2008 increased 3.1 percent to 2.45 million hogs from 2.37 million hogs for the comparable period in 2007. For fiscal year 2008, hog processing increased 1.8 percent to 9.55 million hogs from 9.38 million hogs in fiscal 2007.

The value-added business units in Refrigerated Foods experienced mixed results during fiscal 2008. Strong first half profit results were driven by lower pork input costs and strong sales growth. In the second half, however, the Meat Products unit struggled with rapidly rising input costs and was unable to advance pricing quickly enough to recover the additional expense. Overall demand remained strong, particularly on *Hormel® Natural Choice®* deli meats, *Hormel®* refrigerated entrees, and *Hormel® Always Tender®* flavored meats. The Foodservice unit also faced a difficult economic environment in the latter half of fiscal 2008, as an industry-wide decline in away-from-home dining negatively impacted both top and bottom-line results. This unit continued to pursue opportunities in other channels and ended 2008 with strong fourth quarter sales in several categories, including BBQ/*Café H®*, pork sausage, turkey, and roast beef.

Farmer John reported improved results for both the 2008 fourth quarter and fiscal year compared to 2007, driven primarily by an improved sales mix and strong demand for their domestic and export fresh pork business. These gains were able to offset a portion of the substantial losses incurred at the Company's hog production facilities due to lower hog markets in the first half of the year and higher feed costs throughout fiscal 2008. Retail margins were also negatively impacted by higher raw materials costs in the second half of 2008, and price increases were implemented to recover a portion of these margin losses entering fiscal 2009.

Dan's Prize, Inc., the Company's wholly owned processor and seller of beef products, also faced a challenging year. Overall demand for beef was weaker in fiscal 2008 due to large supplies of competitive proteins. Tighter raw material supplies also caused input costs to exceed the prior year, which were not fully recovered through pricing advances.

Jennie-O Turkey Store

JOTS net sales for the fourth quarter and year increased 11.0 percent and 9.1 percent, respectively, compared to fiscal 2007. Tonnage increased 4.2 percent for the fourth quarter and 5.7 percent for the twelve months, compared to fiscal 2007 results. Commodity meat sales were significantly higher during fiscal 2008, resulting from heavier bird weights and improved liabilities compared to fiscal 2007. Value-added net sales growth continued despite tonnage declines, reflecting the impact of pricing initiatives throughout fiscal 2008.

Segment profit for JOTS decreased 43.7 percent for the fourth quarter and 26.7 percent for the year compared to fiscal 2007. Higher grain costs were a key driver of the decreased

results throughout fiscal year 2008. Feed related costs for the year increased approximately $167.0 million compared to fiscal 2007, which could not be fully recovered through price increases or the Company's hedging programs. Live production costs were also significantly impacted by higher

fuel-related expenses during fiscal 2008. In the latter half of the year, an excess supply of commodity breast meat in the industry also kept pricing low, which had an additional negative impact on profit results for this segment.

Despite the unfavorable market conditions, JOTS remained focused on growing their value-added businesses. In the Retail unit, demand for the *Jennie-O Turkey Store®* *Oven Ready™* line, *Jennie-O Turkey Store®* tray pack products, and *Jennie-O Turkey Store®* turkey burgers remained strong. Gains were also noted during the 2008 fourth quarter for *Jennie-O Turkey Store®* rotisserie turkey breast in the Deli unit.

Specialty Foods

The Specialty Foods segment had excellent results in fiscal 2008, as net sales increased 20.0 percent for the fourth quarter and 12.3 percent for the twelve months compared to fiscal 2007. Tonnage increased 9.6 percent for the quarter and 5.0 percent for the twelve months compared to 2007. Net sales and tonnage comparisons were positively impacted by the third quarter 2008 acquisition of Boca Grande. In 2008, this acquisition contributed an incremental $7.3 million of net sales and 8.2 million lbs. of tonnage to the fourth quarter results, and $9.8 million of net sales and 11.4 million lbs. of tonnage to the twelve month results.

Specialty Foods segment profit increased 48.8 percent for the fourth quarter and 14.1 percent for the year compared to fiscal 2007. All three operating segments in Specialty Foods contributed to the profit improvement for both the fourth quarter and fiscal year. CFI reported notable increases due to strong sales of blended ingredients, nutritional powders, and ready-to-drink products. HSP gains reflected increased sales in contract manufacturing and savory ingredients. DCB benefited from higher nutritional sales volume, recent pricing advances, and the Boca Grande acquisition.

All Other

All Other net sales increased 34.4 percent for the fourth quarter and 27.3 percent for the year compared to fiscal 2007. Strong HFI export sales of the *SPAM®* family of products and fresh pork were key drivers of the results for both the fourth quarter and fiscal year.

All Other segment profit decreased 7.9 percent and increased 17.0 percent for the quarter and year, respectively, compared to 2007. Following three strong quarters, high raw material and freight costs and the strengthening of the dollar against key currencies caused profit declines for this segment in the 2008 fourth quarter. Pricing advances were able to offset only a portion of these costs increases. Some relief in raw material costs was experienced toward the latter part of the fourth quarter, which provided some margin benefit going into the first quarter of fiscal 2009.

HFI's China operations reported profit declines for both the fourth quarter and year, compared to fiscal 2007. Record high raw material costs and decreased exports were the primary drivers of the decrease.

Unallocated Income and Expenses

The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

Net interest and investment income for the 2008 fourth quarter and year was a net expense of $27.4 million and $56.1 million, respectively, compared to a net expense of $0.2 million and $14.1 million for the comparable periods of fiscal 2007. Losses on investments held in the Company's rabbi trust for supplemental executive retirement plans and deferred income plans were the key driver of the increased net expense, with investment results down $25.0 million and $35.9 million for the fourth quarter and fiscal year, respectively, compared to 2007. A $2.0 million gain on the dissolution of the Company's Patak's joint venture was also recorded in the fourth quarter of fiscal 2007. Interest expense of $28.0 million for fiscal 2008 was comparable to fiscal 2007. The Company ended the year with $100.0 million outstanding on its short-term line of credit, related to working capital needs. The only other material debt balance at the end of fiscal 2008 related to the Company's $350.0 million senior notes which mature in 2011.

General corporate (expense) income for the 2008 fourth quarter and year was $(3.5) million and $(22.5) million, respectively, compared to $0.2 million and $(22.9) million for the 2007 fourth quarter and twelve months. The increased expense for the quarter was primarily due to a $4.8 million gain on the sale of a Company airplane in the fourth quarter of fiscal 2007. Excluding this gain, expenses declined in

the fourth quarter of fiscal 2008 primarily due to lower inventory valuation adjustments. The decreased expense for the fiscal year also reflected lower benefit-related expenses and lower stock option expense associated with the one-time grant of 100 stock options to all active, full-time employees in fiscal 2007.

RELATED PARTY TRANSACTIONS

Certain employees of the Company provide administrative services to The Hormel Foundation, which beneficially owns more than five percent of the Company's common stock, for which The Hormel Foundation reimburses the Company for its fully allocated cost for the employee time and expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $385.3 million at the end of fiscal year 2009 compared to $154.8 million at the end of fiscal year 2008.

During fiscal 2009, cash provided by operating activities was $550.8 million compared to $271.6 million in 2008. The increase in cash provided by operating activities primarily reflects higher earnings and favorable working capital changes, as the Company focused on decreasing accounts receivable, inventories, and prepaid expense balances during fiscal 2009. These increases were partially offset by $100.0 million of discretionary contributions made to fund the Company’s pension plans during fiscal 2009, compared to $13.7 million of discretionary funding during fiscal 2008.

Cash used in investing activities decreased to $85.2 million in fiscal year 2009 from $154.2 million in fiscal year 2008. A lower cash outflow related to acquisition activity was a primary driver of the decrease. The acquisition of Boca Grande for a preliminary purchase price of $23.3 million was completed in fiscal 2008. Expenditures on fixed assets in fiscal 2009 also decreased to $97.0 million from $125.9 million in the prior year. The most significant project during 2009 was the ongoing construction of the Company’s new production facility in Dubuque, Iowa. For fiscal 2010, the Company expects capital expenditures to approximate $140.0 to $150.0 million, which exceeds estimated depreciation expense.

Cash used in financing activities was $235.1 million in fiscal 2009 compared to $112.4 million in fiscal 2008. The increase in cash used in financing activities was primarily due to increased payments on short-term debt. The Company ended fiscal 2008 with an outstanding short-term debt balance of $100.0 million primarily related to working capital needs, which was repaid during fiscal 2009. Financing cash flows generated from the Company’s stock option plan also decreased $17.8 million compared to the prior year.

Repurchases of common stock continue to be a significant financing activity for the Company, with $38.1 million and $69.6 million used for repurchases in fiscal 2009 and 2008, respectively. During the year, the Company repurchased 1.2 million shares of its common stock at an average price per share of $33.10 under the repurchase plan approved by the Company’s Board of Directors in October 2002. These transactions result in a total of 8.9 million shares having been repurchased through October 25, 2009, under the 10.0 million share repurchase authorization.

The Company also paid $101.4 million in dividends to shareholders in fiscal 2009, compared to $95.5 million in fiscal 2008. The dividend rate was $0.76 per share in 2009, which reflected a 2.7 percent increase over the fiscal 2008 rate. The Company has paid dividends for 325 consecutive quarters and expects to continue doing so in the future. The annual dividend rate for fiscal 2010 has been increased to $0.84 cents per share, representing the 44th consecutive annual dividend increase.

Total long-term debt outstanding at the end of fiscal 2009 remained unchanged compared to the prior year at $350.0 million. The Company’s long-term debt balance entirely represents senior unsecured notes maturing in 2011. The Company is required, by certain covenants in its debt agreements, to maintain specified levels of financial ratios and financial position. At the end of fiscal 2009, the Company was in compliance with all of these debt covenants.

Cash flows from operating activities continue to provide the Company with its principal source of liquidity. The Company does not anticipate a significant risk to cash flows from this source in the foreseeable future because the Company operates in a relatively stable industry and has strong products across several product lines. Due to the credit market conditions that began in the latter half of fiscal 2008, the Company managed its capital conservatively throughout fiscal 2009. Notable efforts were made throughout the Company to improve working capital balances, and those efforts will continue into 2010. Certain capital projects that were not time critical were delayed in fiscal 2009, but the Company anticipates that capital spending will return to more normalized levels during 2010. The market volatility also impacted the Company’s pension plans. Although no material funding is currently required, the Company will continue to evaluate discretionary funding in 2010. Share repurchase and strategic acquisitions that complement the Company’s existing product portfolios also remain as options for use of free cash flows during fiscal 2010.

Contractual Obligations and Commercial Commitments

The following table outlines the Company’s future contractual financial obligations as of October 25, 2009 (for additional information regarding these obligations, see Note E “Long-term Debt and Other Borrowing Arrangements” and Note H “Commitments and Contingencies”):

	Payments Due by Periods					
Contractual Obligations (in thousands)	**Total**	**Less Than 1 Year**		**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Purchase obligations:						
Hog and turkey commitments(1)	$ 3,271,671	$ 828,180		$ 893,198	$ 519,929	$ 1,030,364
Grain commitments(1)	45,175	43,196		1,979	0	0
Turkey grow-out contracts(2)	81,926	10,821		13,523	13,184	44,398
Other(3)	127,925	120,693		1,522	761	4,949
Long-term debt	350,000	0		350,000	0	0
Interest payments on long-term debt	46,375	23,188		23,187	0	0
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Capital expenditures(4)	60,684	60,684	auto			